US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	2.048 (-6.4 bps)	GNMA (30 Yr) 6% Coupon:	110-15/32 (2.73%)
6 Mo. T-Bill:	1.996 (-9.1 bps)	Duration:	3.76 years
1 Yr. T-Bill:	1.841 (-14.4 bps)	Bond Buyer 40 Yield:	3.64 (-03 bps)
2 Yr. T-Note:	1.712 (-14.0 bps)	Crude Oil Futures:	55.66 (-0.54)
3 Yr. T-Note:	1.668 (-15.0 bps)	Gold Spot:	1,440.83 (21.93)
5 Yr. T-Note:	1.658 (-18.9 bps)	Merrill Lynch High Yield Indices:	
10 Yr. T-Note:	1.845 (-22.5 bps)	U.S. High Yield:	6.47 (07 bps)
30 Yr. T-Bond:	2.382 (-21.0 bps)	BB:	4.83 (06 bps)
		B:	6.90 (19 bps)

Yields continued to fall during a busy week that included an interest rate cut, an escalation in the trade war between the U.S. and China, and new jobs data. On Wednesday, the Fed cut rates by 0.25%, citing weak global growth, trade uncertainty, and soft inflation. However, given the absence of economic weakness in the U.S., Fed Chairman Jerome Powell called the move a “midcycle adjustment” as opposed to a long series of rate cuts. Despite Chair Powell’s comments, the market still widely expects the Fed to cut rates again at its next meeting in September. Bonds surged on Thursday, with the yield on the benchmark U.S. 10-year Treasury note falling below 2% to its lowest level since November 2016, after President Donald Trump announced that he would impose a 10% tariff on $300 billion in additional Chinese imports beginning September 1. Meanwhile, economic data released Friday showed jobs gains remained solid as the U.S. economy added 164,000 jobs in July, which was about in line with expectations. Additionally, the unemployment rate held at 3.7% and average hourly earnings were up 3.2% over the prior year. The July gain marked 106 consecutive months the U.S. economy has added jobs. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Wednesday: August 2 MBA Mortgage Applications (N/A, -1.4%); Thursday: August 3 Initial Jobless Claims (215k, 215k), June Final Wholesale Inventories MoM (0.2%, 0.2%); Friday: July PPI Final Demand MoM (0.2%, 0.1%).

US Equities

Weekly Index Performance:		Market Indicators:	
DJIA:	26,485.01 (-2.59%)	Strong Sectors:	Real Estate, Utilities, Health Care
S&P 500:	2,932.05 (-3.07%)		
S&P Midcap:	1,914.53 (-3.42%)	Weak Sectors:	Consumer Discretionary, Info Technology, Financials
S&P Smallcap:	938.14 (-2.51%)		
NASDAQ Comp:	8,004.07 (-3.90%)	NYSE Advance/Decline:	1,180 / 1,883
Russell 2000:	1,533.66 (-2.85%)	NYSE New Highs/New Lows:	603 / 250
		AAII Bulls/Bears:	38.4% / 24.1%

Stocks had their worst week of 2019 last week. After slightly trading down on Monday and Tuesday, stocks moved sharply lower on Wednesday after the 25 basis point cut by the Federal Reserve. President Donald Trump followed up on Thursday with the announcement of additional tariffs on Chinese goods making investors worry that the move would disrupt the global economy. The one-two punch of uncertain future rate cuts by the Fed and a volatile trade relationship with China caused stocks to dip lower to end the week. The weekly move in stocks was the sharpest drop since December 2018. The two sectors hit the hardest by the renewed trade rhetoric were Consumer Discretionary and Information Technology. Both groups have heavy exposure to international trade and the increased cost of their inputs will weigh on profitability. Financials stocks also had a down week as lower interest rates will reduce profitability on lending practices. On the other end of the interest rate spectrum, Real Estate and Utilities led the market as investors search for yield in a lower rate environment. Deal activity picked up to lift Health Care stocks after **Mylan** and **Pfizer** agreed to combine Mylan with **Upjohn**, Pfizer’s off-patent medicine business, to create a new global pharmaceutical company. The deal, expected to close by June of 2020, caused shares of rival **Teva** to jump on the news. Next week, the markets will be listening to talks of trade, nuclear pacts with China and Russia, and earnings from 65 companies in the S&P 500.